

Message Text

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C O N F I D E N T I A L PANAMA 1175

E.O. 11652: GDS

TAGS: PFOR, PN

SUBJECT: U.S. BANANA TREATY NEGOTIATIONS: PANAMA'S PROBLEM
RESPECTING ECONOMIC VERSUS NATIONALISTIC BENEFITS FROM NEW
RELATIONSHIP

FOR AMBASSADOR BUNKER FROM BELL

1. PANAMA HAS JUST FLATLY REJECTED A "FINANCIALLY INTERESTING"
PROPOSAL BY THE CANADIAN JAVELIN CONSORTIUM FOR A COPPER
EXPLOITATION CONCESSION, GONZALEZ-REVILLA VOLUNTEERED
FEBRUARY 27.

2. "WE KNOW WE ARE BEING ALMOST SUICIDAL. WE KNOW COPPER
EXPLOITATION COULD BE MORE IMPORTANT TO US IN THE LONGER RUN
THAN EXPLOITATION OF THE CANAL. BUT THEY WANTED A 35-YEAR
CONCESSION. AND THAT, FOR US, IS 'PERPETUITY'."

3. GONZALEZ-REVILLA--AND SUBSEQUENTLY TORRIJOS' CONFIDANTS
ESCOBAR AND AHUMADA--INDICATED THAT THE UNITED STATES
GOVERNMENT MIGHT WISH TO REGARD THIS DECISION AS ILLUSTRATIVE
OF HOW PROFOUNDLY PANAMA FEELS ABOUT COMMITTING ITSELF NOW TO
VERY PROTRACTED RELATIONSHIPS WITH THE UNITED STATES.

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4. APPARENTLY PANAMA, WHILE STILL DETERMINED TO

RESPECT OBLIGATIONS TO CANADIAN JAVELIN UNDER EXISTING CONCESSIONAL ARRANGMENTS, HAS ASKED TWO OTHER CONSORTIA, NOW FORMING THEMSELVES, TO PRESENT PROPOSALS. DOYLE AND ASSOCIATES COULD PARTICIPATE IN THOSE IF THEY WISHED.

5. COMMENT: THERE IS A DIVERGENCE IN PANAMA'S LEADERSHIP--AS THERE HAS ALWAYS BEEN--OVER EXTRACTING MAINLY ECONOMIC, OR MAINLY NATIONALISTIC, CONCESSIONS FROM THE UNITED STATES IN A NEW RELATIONSHIP.

THE COPPER DEVELOPMENT STANDS AS SOME INDICATION THAT THE NATIONALISTS STILL HAVE SWAY. BUT AS ECONOMIC DISEQUILIBRIA INCREASINGLY TROUBLE THIS "FOR-THE-PEOPLE" REGIME, THAT SWAY MAY WELL DIMINISH.

IN FACT, IT IS CLEAR THAT WHILE THE GOVERNMENT PUBLICLY DEEMPHASIZES THE IMPORTANCE OF THE "COMPENSATION" ISSUE IN THE TREATY NEGOTIATION, PRIVATELY IT IS REGARDING THAT ISSUE AS MUCH MORE IMPORTANT THAN IT HAD THOUGHT IT SHOULD BE. FOR ONE EXAMPLE, IN RECENT DAYS THERE HAVE BEEN REPEATED "INFORMAL" SUGGESTIONS THAT THE UNITED STATES CONSIDER THE COMPENSATION ISSUE AS AN INEXTRICABLE PART OF THE SECOND AND FINAL "POLITICAL TRANSACTION" IN THE NEGOTIATION--AND MAKE OUR OFFER "MUCH LARGER".

EMBASSY OFFICERS AND DEPUTY NEGOTIATOR HAVE HELD TO ONE LINE. FIRST, THE UNITED STATES' OUTSTANDING OFFER ON COMPENSATION REPRESENTS WHAT THE TRAFFIC WILL BEAR--NOT ONLY CANAL-ECONOMICS TRAFFIC BUT DOMESTIC-POLITICAL TRAFFIC AS WELL. SECOND, AND CORRELATIVELY, WERE THE UNITED STATES ABLE TO RAISE ITS OFFER RESPECTING ECONOMIC BENEFITS TO PANAMA, IT COULD DO SO ONLY BY LOWERING ITS OFFER ON NATIONALISTIC BENEFITS, I.E., JURISDICTION AND DURATION. THE CONGRESS, WE HAVE SAID, WILL SIMPLY NOT ABIDE HIGH OFFERS ON BOTH.

THE PANAMANIAN HAVE BEEN MOST DISTRESSED BY THE LINE. THAT IS A TACTICAL, IN CONTRAST TO THE SUBSTANTIVE, REASON FOR HOLDING FIRMLY TO IT.

JORDEN

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